

Date: 18.05.2019

Empanelment of Concurrent Audit & Stock Audit

- ✓ Indian Bank conducts process for Empanelment of Concurrent Auditors once in a year. Indian Bank invites applications in the prescribed format only from the practicing firms of Chartered Accountants of India, who are willing to have their firm empanelled as Concurrent Auditor & Stock Auditor in the bank.
- ✓ Empanelment would be valid upto JUNE 2020 and the Bank may allot the Concurrent Audit / Stock Audit or any audit assignment during the period as and when required. Mere submission of application does not, in any way, constitute any right for allotment of any job from the bank. The work will be allotted as and when need arises, at the sole discretion of the bank.
- ✓ Bank reserves the right to modify / alter any terms of selection process at any point of time. Selection process will be at Banks absolute and sole discretion of the bank. No representation / claim will be entertained whatsoever.
- ✓ Any of Chartered Accountants on the Bank's panel of Auditors can be utilised for stock audit & credit audit at the discretion of Heads of Inspection Centres. ***Concurrent auditors of branches should not be entrusted with Stock audit / credit audit.***

Applications are invited from eligible Audit Firms for empanelment as Concurrent Auditors as per the eligibility criteria given below:

Basic criteria for assigning for Concurrent Audits

- a) Audit firm must have RBIUCN (should appear in the list for this year provided by ICAI).
- b) There should not be any disciplinary action by RBI pending against the firm. The name of the firm should not appear in the list of Third Party Entities (TPE) Caution list of IBA.
- c) An audit firm eligible to be engaged for audit work should have qualified Information System Auditor (CISA / DISA) with necessary exposure to systems audit since all branches are fully computerized and IS audit should form an integral part of the audit. Exceptions may be allowed in places where non-availability of CISA / DISA qualified persons.
- d) Weightage will be given to the firms where the partners themselves are ex-bankers or the firm has (got tie-up with) ex-bankers with requisite experience and exposure as associates.
- e) Any audit firm or any sister / associate concern / network firm conducting the statutory audit of the Bank or any of its branches at present during 2017-18 & 2018-19 shall not be considered for empanelment.
- f) Weightage will be given to a firm having exposure in conducting concurrent audit of Bank branches for a few public sector / major private sector banks.
- g) The firm should have necessary office set up and adequate personnel to ensure proper deployment and timely completion of the assignments.
- h) The concurrent audit firm will not lobby directly / indirectly for consideration of any credit proposals of their friends / relatives / clients / non clients of the bank.

Terms and conditions (to be submitted in a prescribed format on getting the assignment):

- The firm should execute undertaking of fidelity and secrecy on its letterhead in the format prescribed by the Bank.
- A declaration is to be submitted that the concurrent audit firm entrusted with the concurrent audit that none of the partners in their individual capacity or through allied & associate firms are directly or indirectly involved in concurrent audit / statutory audit of other branches of Indian Bank during 2017-18 & 2018-19. Sub contracting is strictly prohibited and will be liable for immediate termination of assignment.
- That credit facilities availed by the firm or partners or firms in which they are partners or directors including any facility availed by a third party for which the firm or its partners are



guarantor/s have not turned or are existing as non- performing assets as per the prudential norms of RBI. In case the declaration is found incorrect, the assignment would get terminated besides the firm being liable for any action, under ICAI / RBI guidelines.

- That the audit firm / proprietor / any of the partners do not suffer from one or more of the disqualifications stipulated in Section 141 of the Companies Act, 2013 or under any other law for the time being in force.
- In respect of firms which are not being selected / empanelled, no communication will be sent by the Bank and no correspondence will be entertained.
- If the branch under concurrent audit is closed / merged / removed from concurrent audit due to official exigencies and for any other reasons whatsoever, the tenure of the concurrent auditor of the branch will stand terminated automatically. In such cases Bank will not be liable to give alternate branch for audit to the CA firm, whose concurrent audit assignment is so terminated.
- On change of identity / change of firm name, during the currency of the audit term, due to merger / amalgamation / reconstitution / any other reason, the Bank reserves it's right to allow the new firm to continue with the concurrent audit assigned to the old firm provided the new audit firm has applied online for empanelment in response to Bank's empanelment document and the new firm fulfils all the eligibility criteria given in our tender document.

Scope of Concurrent Audit

1. Concurrent Auditor may also undertake functions of Quarterly Limited Review, not of the same branch, to be assigned by respective Inspection Centres against suitable remuneration.
2. Apart from daily checking of transactions, the Concurrent Auditor has to undertake the following:-
 - i. Half yearly Revenue audit.
 - ii. Quarterly ATM audit. Monthly IT audits covering ATM audit & branch implementation of back-up procedures and retrieval.
 - iii. 100% verification of EDPMs, IDPMs, Form 15CA / 15CB and other FOREX operations.
 - iv. Pre-release audit / post-sanction follow up, whenever required.
 - v. Verifying compliance to KYC / AML norms.
 - vi. Verification of E-filing of TDS deduction done.
3. Concurrent Auditors should verify the application form, back papers, documents etc of all loans sanctioned during the month except Jewel loans & Loans against Deposits and record their comments.
4. Pre Release Audit shall be carried out for all eligible accounts sanctioned during the month as per the extant guidelines. In case the pre release audit gives a qualified report for a particular sanction, pending compliance of certain conditions, verification of progress in compliance of pending terms and conditions will be taken up by concurrent auditor till full compliance. If the loan is disbursed without pre-release audit done by the concurrent auditor, the auditor should mention the details of the accounts in the flash report of the month.
5. Concurrent Auditors are required to mandatorily inspect at least five units every month jointly with Bank Officials. Preference to be given to all new sanctions / high value advances, accounts showing symptoms of stress and units that were not inspected by branch during the last 6 months. The unit visit reports should include an end use certificate by concurrent auditor.
5.a Concurrent Auditors should verify documentation in respect of all loans sanctioned during the month and shall submit end use certificate in respect of all new loans (excluding JL & LOD) by verifying the mode of release of loan in the system.



5.b It should be ensured that all units with Fund based & Non-Fund Based sanctioned limits of Rs.1 crore and above, are visited at least once in a half year. Geo-Tagging of the mortgaged properties should be ensured. Unit visit report should form part of the concurrent auditor's monthly report.

6. The Concurrent Auditors should visit minimum of 5 SHG groups per month in Microstate branches and other branches having SHG business of Rs 10 crore and above as on previous March and the visit report should form part of the monthly concurrent audit report.

7. Concurrent Auditor should go through the irregularities in the documentation / transactions / stock audit & legal audit details of 5 Borrowal Accounts of limits of Rs.2 Crores and above of the branch every month on rotation.

8. Transactions in staff accounts in general, with special attention on cash transactions of Rs 1 lakh & above and transfer transactions of Rs.2 lakhs & above should be monitored.

9. All High value transactions of Rs.25 lakhs and above of customers to be verified in depth; Non-compliance to KYC, deficiency in due diligence and risk categorisation, suspicious nature of transactions, etc if any should be reported.

10. If any transaction is suspected to be fraud or fraudulent activity or act of exercising powers beyond MDL unreasonably or indication of any foul play in any transactions of fraudulent nature warranting the attention of top management is observed, immediately the same should be submitted by way of special report to General Manager (I&C) under copy to Head of Inspection Centre. As per extant guidelines of RBI any deliberate failure on the part of the auditor would render himself liable for action.

11. All types of customer complaints received by the branch which is not addressed fully and pending should be reported. Serious complaints which require immediate attention of controlling authorities are to be escalated.

12. Verify whether RTI and Ombudsman cases are properly diarized and reply sent to the respective departments in time

13. Transactions should be verified with respect to risk profile of the customer / due diligence and advice the branch to modify risk profile of the customer, if necessary.

14. Any manual flagging / de-flagging / up-gradation of NPAs should be reported.

15. The process of identification of NPA is system-driven and auto flagging is done on monthly basis. Accordingly the concurrent auditors are advised to verify the following aspects of the auditee branch on

- ▶ NPA identification (on CIF basis)
- ▶ Recovery mechanism
- ▶ Movement in Restructured Advances

and to ensure that the process of NPA identification and other issues are as per guidelines of IRAC norms.

Even if one Bill is classified as NPA, the entire BP a/c and all the other credit facilities of the borrower are to be classified as NPA. Auditors to ensure that all Bills Purchased / Negotiation Transactions are routed through EXIM BILLS module to ensure system based identification of all overdue Bills.

16. Verifying flagging of fraud accounts, as reported to RBI as advised by CO in CBS system.

17. Verify whether EVVR checking is up to date, numbers are marked in the vouchers and missing vouchers are recorded in a separate register as per the guidelines of the Bank.

18. Verify whether the Authorised Officer is strictly following the procedures laid down with timelines for dealing with SARFAESI accounts and follow up for realization of our dues.

19. Verifying marking of attendance through bio-metric authentication for both 'IN and OUT'.

20. Any sudden spurt in advances both in number and amount to be verified and reported. In cases where increase of 5% and above from previous month should be analysed and details to be included in the report.

21. Capital subsidy account ie. SRF account should be reconciled.
22. Routing of any unrelated transactions in BGL a/c viz., Sundry Deposit, SR-II, routing account, etc., should be verified.
23. Any remittances without charges / fees should be verified.
24. Verify whether the Branch has verified every Bill of Entry, online through www.icegate.gov.in or otherwise before negotiating / discounting relevant bills.
25. Verify whether all FCNR / NRE / NRO accounts opened on or after 01.11.2015 are with new application forms with FATCA / CRS details.
26. Reconcile all outward SWIFT messages pertaining to documentary credit / trade finance (including LCs / LOU).
Concurrent Auditors should verify the Outward SWIFT messages vis-à-vis related accounting entries in BANCS / EXIM BILLS.
27. Verify whether branch is following Fair lending practices, Privacy Policy, AML / KYC (including CTS, STR and Counterfeit currency report (CCR) and BCSBI).
28. To observe and comment on Early Warning Signals in respect of accounts with balance of Rs.50.00 Crore and above as per the guidelines of RBI to enable the Bank to take a view on RED FLAGGING of those accounts.
29. The monthly audit report should contain a review of the compliances to the observations in the previous reports. Irregularities pending compliance should be carried over.
30. In view of the directions given by RBI Vide A.P.(DIR Series) Circular No 27 dated 12.01.2017, Concurrent auditors of authorized branches should verify outward remittance against imports and appropriation of Bill of Entry in the Import Data Processing and Monitoring System (IDPMS).
31. In case the concurrent auditors come across any gross negligence on the part of BM / other staff or any act of fraudulent nature or suspected to be fraud, the same has to be informed by way of Special Reports to GM (I&C).
32. Concurrent auditor should also verify the claim filed by the branch to various authorities such as ECGC / NCLT / DICGC / CGTMSE etc.
33. Accounts reflected as SMA by the system itself should be observed carefully so that it may not slip to NPA. Other accounts, which are not reflected as SMA by system, should also be seen for non reflection in SMA list.
34. Ensure that imports / exports outstanding beyond the permissible period, as per FEMA guidelines are checked and commented upon.
35. Concurrent Auditors to verify the Guarantees / LCs issued vis-à-vis related accounting entries in BANCS / EXIM BILLS. Also, the issue of Guarantees / LCs should be verified to assess whether they are backed by sanction from competent authorities or otherwise secured by 100% cash margin. Besides the following also to be ensured:
 - Recovery of Processing charges and commission for BGs / LCs.
 - Comment on timely performance of projects for which BGs issued (Actual vs. Projected) and likely invocation of BGs / LCs, if any.
 - Timely reversal of expired BGs
 - Timely payment / default of BGs invoked.
36. Concurrent auditors should comment on non-compliance on negative comments made in the Statutory / Branch / Credit / Stock / Legal Audits of the account or borrower and the transactions in the accounts of the borrower are satisfactory.
37. Concurrent Auditors to verify whether Solvency Certificate issued by branches are backed by sanction from competent authorities.
38. Ensure Red Flagged Accounts have been tagged in CBS for better monitoring and for MIS.
39. Ensure verification of genuineness and their enforceability of documents of title submitted as security for loans.

Evaluation of performance of the concurrent auditors.

Bank shall monitor the performance of concurrent auditors and audit firms closely. Performance of concurrent auditors and audit firms shall be evaluated once in a half year by the respective Inspection Centres for their quality of reporting, timely submission of reports and coverage of reporting. In case, CA or CA firm is not attending the audit work properly, continuous delay in submission of reports, non-reporting of serious irregularities / deviations, non-detection of fraud, non-detection of leakage of income in the branch, Bank reserves the right to terminate the assignment, without assigning any reason. In case of termination of assignment, the remuneration for the incomplete month shall not be payable by the bank.

If the RBIA rating of the branch is downgraded, the performance of the concurrent auditor shall be critically examined and reviewed for deciding continuance of service or otherwise.

Fee structure at present

Fees payable is based on the level of Total Advances of the branch. The fees once fixed shall remain the same throughout the tenure of the concurrent audit irrespective of change in the total advances or authorisation of the branch for Forex transaction. The only exception may be in case of transfer / shifting of entire business of another branch to the auditee branch. Bank's decision will be final in this regard.

Fee structure for Concurrent Audit

<u>Advance position of the branch as of 31.05.2019</u>	<u>Fees per month</u>
Upto ₹ 50 crores	₹ 15000
Above ₹ 50 and upto ₹ 125 crores	₹ 17500
Above ₹ 125 and upto ₹ 250 crores	₹ 20000
Above ₹ 250 and upto ₹ 500 crores	₹ 25000
Above ₹ 500 and upto ₹ 1000 crores	₹ 30000
Above ₹ 1000 and upto ₹ 3000 crores	₹ 35000
Above ₹ 3000 crores	₹ 40000
Additional fees for FOREX authorised branches	₹ 1000

Fee structure for Stock Audit

<u>Fund Based working capital limits</u>	<u>Fee</u>
Upto ₹ 2.00 Crores	₹ 10000
Above ₹ 2.00 Crores and upto ₹ 5.00 Crores	₹ 12000
Above ₹ 5.00 Crores and upto ₹ 10.00 Crores	₹ 15000
Above ₹ 10.00 Crores and upto ₹ 25.00 Crores	₹ 17500
Above ₹ 25 Crores and upto ₹ 100 Crores	₹ 25000
Above ₹ 100 Crores	₹ 50000

Interested Chartered Accountants / Firms conforming to the eligibility criteria may send their application (given in the annexure) only through post / courier as per format given below and to the following address **in hard copy only** to reach us **on or before 7th June 2019**. Applications sent / received through **other mode will NOT be entertained**.



Those who are presently doing concurrent audit for Indian Bank are also required to apply again if they are to be considered for empanelment for the current year. The applicants are requested to send mentioned enclosures only. Please do not enclose copies of assignment letters of banks, declarations, undertakings etc.

Applications received directly to the address given below only will be entertained.

General Manager (I & C)
Indian Bank
Corporate Office
Inspection Department
254-260, Avvai Shanmugam Salai,
Royapettah, Chennai - 600014

The Bank reserves its right to accept or reject the applications subject to the Bank's norms and criteria. Since large number of applications received for limited number of vacancies, no communication will be sent by the Bank and no correspondence will be entertained in respect of firms, which are not being selected / empanelled / assigned. The empanelment is not an assurance of assignment of concurrent audit. For clarifications only, if any, please contact through email: hoinspecion@indianbank.co.in.



ANNEXURE

Application for empanelment of Concurrent Audit & Stock Audit

<input type="checkbox"/> 1) Only for Concurrent Audit	<input type="checkbox"/> 2) Only for Stock Audit	<input type="checkbox"/> 3) Both Concurrent audit, Stock audit & other audits	please "tick" your interest
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Name of the CA / Firm			
Constitution of the firm			
Unique Code No. for Bank Audit (RBIUCN)			
Registration No. of Firm with ICAI * <i>(self attested copy of Firm Registration Certificate from ICAI to be enclosed)</i>	Regn. No.: _____ (Applications will be entertained along with self attested copy of Firm Registration Certificate only)		
Address of Head Office			
Branch Offices of the firm			
Name & Mobile No. of partner for contact Landline No/s (with STD Code) E-mail Address <i>(Please provide only one email address)</i>			
Manpower	No. of Retired Bank Officials	No. of Articles	No. of qualified Assistants
Name of Partner / Audit Staff having CISA / DISA qualification. * <i>(if so, self attested copy of CISA / DISA certificate to be enclosed)</i>	1) 2) 3) <i>(if so, enclose a self attested copy of CISA / DISA Certificates)</i>		
Experience of Concurrent Audit of Nationalized Banks / Major Private Sector Banks (last 5 years) <i>(copies of the assignment letters need NOT be enclosed)</i>	Bank	Branch	Period
Experience of Stock Audit of Nationalized Banks / Major Private Sector Banks (last 5 years) <i>(copies of the assignment letters need NOT be enclosed)</i>	Bank	Branch	Period
Any other information:			

(* fields are mandatory and self attested copies should be enclosed)

